

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02 OMB-01

SWF-02 SAM-01 XMB-07 DRC-01 /188 W
----- 100416

R 291525Z APR 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2101

INFO USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY THE HAGUE

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 06786

DEPARTMENT PASS AGRICULTURE FOR GOODMAN

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: THE COMMISSION'S PROPOSAL TO THE COUNCIL FOR A
SOYBEAN CAP

REF: STATE 083747; BRUSSELS 2305; BONN 06757

1. SUMMARY: THE MAJOR POINTS IN THE COMMISSION PROPOSAL
INCLUDE (1) SUBSIDIES FOR SOYBEAN PRODUCTION IF WORLD
PRICES DECLINE BELOW THE CAP SUPPORT PRICE; (2) ESTIMATES
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OF PROBABLE COMMUNITY PRODUCTION AND SUBSIDY COST FOR

1974 AND 1978; (3) IMPLEMENTING REGULATIONS INCLUDING SETTING THE SUPPORT PRICE BY AUGUST 1, FOR THE CROP HARVESTED IN NOVEMBER. ACTION IS TO BE TAKEN BY THE COUNCIL ON THE COMMISSION PROPOSAL AT THE LATE MAY MEETING, PROBABLY MAY 22. ACCORDING TO OUR SOURCES, IT APPEARS LIKELY THAT THE COUNCIL WILL ACCEPT THE COMMISSION'S PROPOSAL, BUT SOME HOPE REMAINS THAT THE PROPOSAL CAN BE MODIFIED. END SUMMARY.

2. OUR CONTACTS IN THE AGRICULTURAL MINISTRY HAVE PROVIDED THE AGATTACHE THE TEXT OF THE EC COMMISSION'S PROPOSAL ON THE SOYBEAN CAP. THERE FOLLOWS A SUMMARY OF THE BASIC ELEMENTS OF THIS PROPOSAL.

PREFACE. TO PROMOTE COMMUNITY SOYBEAN PRODUCTION, A TARGET PRICE IS REQUIRED WHICH WILL SECURE AN APPROPRIATE RETURN TO COMMUNITY FARMERS. THE DIFFERENCE BETWEEN THE WORLD PRICE AND THE ESTABLISHED TARGET PRICE SHOULD BE THE SUBSIDY. IT SHOULD BE PROVIDED THAT EXPENDITURES OF MEMBER COUNTRIES RESULTING FROM THIS OBLIGATION SHOULD BE TRANSFERRED INTO THE RESPONSIBILITY OF THE COMMUNITY UNDER THE REGULATIONS OF THE FINANCING OF THE CAP.

FINANCIAL SUPPORT. THE COMMISSION PROPOSAL PROVIDES FOR THE PAYMENT OF A SUBSIDY FOR SOYBEANS ON A LEVEL SIMILAR TO THAT FIXED FOR RAPESEED AND SUNFLOWER SEED. ON THE BASIS OF PRESENT WORLD PRICES, THE SUBSIDY IS ESTIMATED AT ZERO. SHOULD HOWEVER THE WORLD PRICE DECLINE, THE AMOUNT OF THE SUBSIDY MIGHT BE BETWEEN 30-40 UNITS OF ACCOUNT PER METRIC TON. ESTIMATED TOTAL EXPENDITURES FOR 1974/75 ARE 240,000 TO 320,000 UNITS OF ACCOUNT. THIS CALCULATION IS BASED ON AN ESTIMATED PRODUCTION OF 8,000 MT ON 4,000 HECTARES. THE BEGINNING DATE PROPOSED BY THE COMMISSION FOR THE SUBSIDY IS NOVEMBER 1, 1974. THE COMMISSION ESTIMATES THAT BY 1978 50,000 HECTARES OF SOYBEANS WILL BE PLANTED AND PRODUCE 100,000 MT OF SOYBEANS. THE PROJECTED COST FOR THIS LEVEL OF PRODUCTION IS 3 TO 4 MILLION UNITS OF ACCOUNT. EXPENDITURES WILL BE ACCOUNTED FOR UNDER ARTICLE 633 OILSEED INTERVENTION.

REGULATIONS. PRIOR TO AUGUST 1 OF EACH YEAR, A TARGET LIMITED OFFICIAL USE

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 2102

INFO USMISSION EC BRUSSELS

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PRICE FOR SOYBEANS WILL BE FIXED. THIS PRICE SHOULD
REPRESENT AN APPROPRIATE LEVEL CONSIDERING THE NECESSITY
OF SUPPLYING THE COMMUNITY, AND THE TARGET PRICE WILL
REMAIN VALID THROUGHOUT THE CROP YEAR NOV.1 - OCT. 31.
THE TARGET PRICE WILL BE FOR A STANDARD SOYBEAN QUALITY.
IF THE TARGET PRICE IS ABOVE THE WORLD PRICE, A SUBSIDY
WILL BE GRANTED REPRESENTING THE DIFFERENCE. THE
COUNCIL UPON SUGGESTION BY THE COMMISSION WILL (1)
ESTABLISH THE CRITERIA FOR THE WORLD MARKET PRICE DE-
TERMINATION; (2) THE BASIC REGULATIONS FOR THE SUBSIDY;
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(3) CONDITIONS FOR PRICE FIXING OF THE SUBSIDY; (4) THE FIXING OF THE SUBSIDY. THE SUBSIDY REGULATION UNDER THIS ORDINANCE IS SUBJECT TO THE REGULATION OF FINANCING THE CAP AND BEGINS NOV.1, 1974.

3. COMMENT. OUR SOURCES STATE THAT THEY EXPECT THAT THE COUNCIL WILL ACCEPT THE COMMISSION'S PROPOSAL. THERE IS HOWEVER SOME QUESTION REGARDING THE POSSIBLE COST OF THIS PROGRAM. PRIVATELY IT IS ADMITTED THAT THE RE-SEARCH AND FORECAST BY THE COMMISSION ARE NOT BASED ON A SEARCHING AND DEEP ANALYSIS. THIS OF COURSE DOES RAISE SOME FEARS REGARDING THE POTENTIAL PROGRAM COSTS. THE FRG REALIZES THAT THEY WILL BE REQUIRED TO SUBSIDIZE FRENCH AND PERHAPS ITALIAN PRODUCTION. THE FRG MIGHT AGREE TO A PROGRAM WHICH LIMITS THE QUANTITY OF SOYBEANS SUBSIDIZED, OR AT LEAST SPECIFY IN THE CAP THAT THE PROGRAM MUST BE REVIEWED AFTER CERTAIN TARGET LEVELS OF PRODUCTION HAVE BEEN REACHED. IT WOULD APPEAR THAT A MODIFICATION ON A STANDARD QUANTITY BASIS WOULD ALSO BE ACCEPTABLE TO OTHER NON-SOYBEAN PRODUCING MEMBER STATES. EMBASSY URGES THAT IF THIS APPEARS TO BE A PRACTICAL ALTERNATIVE THAT WASHINGTON INSTRUCT EC BRUSSELS AND OTHER EC POSTS TO SUPPORT SUCH A MODIFICATION.
HILLENBRAND

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